



## CONGRESSIONAL BUDGET OFFICE PAY-AS-YOU-GO ESTIMATE

June 27, 2002

### **H.R. 4560** **Auction Reform Act of 2002**

*As cleared by the Congress on June 18, 2002, and  
signed by the President on June 19, 2002*

#### **SUMMARY**

H.R. 4560 (enacted as Public Law 107-195) repeals most statutory deadlines for auctioning licenses for the use of the electromagnetic spectrum. Under prior law, the Federal Communications Commission (FCC) was directed to auction licenses for certain bands of spectrum by the end of fiscal year 2002. This act sets new deadlines for auctions of licenses to use frequencies currently used by television channels 52 through 69, but allows the commission to determine the timing of all other auctions. CBO estimates that implementing H.R. 4560 will lead to a net increase of offsetting receipts and thus a decrease in direct spending of \$800 million over the 2003-2007 period.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated impact of H.R. 4560 on direct spending is shown in the following table. CBO estimates that the legislation will not affect direct spending after 2007. For the purposes of enforcing pay-as-you-go procedures, only the effects through 2006 are counted. The costs of this legislation fall within budget function 950 (undistributed offsetting receipts).

By Fiscal Year, in Millions of Dollars						
	2002	2003	2004	2005	2006	2007
<b>DIRECT SPENDING</b>						
Channels 52-69 Auction Receipts						
Under Prior Law						
Estimated Budget Authority	0	-1,000	-1,525	-1,525	0	0
Estimated Outlays	0	-1,000	-1,525	-1,525	0	0
Changes						
Estimated Budget Authority	0	775	1,300	1,525	-2,200	-2,200
Estimated Outlays	0	775	1,300	1,525	-2,200	-2,200
Channels 52-69 Auction Receipts						
Under H.R. 4560						
Estimated Budget Authority	0	-225	-225	0	-2,200	-2,200
Estimated Outlays	0	-225	-225	0	-2,200	-2,200

## BASIS OF ESTIMATE

By law, the spectrum currently allocated to television channels 52 through 69 is to be made available for new commercial uses after the television stations complete their expected transition from analog to digital broadcasting technology. CBO expects that this transition will occur well after the statutory goal of December 31, 2006. As a result, we expect that companies would discount the amount they are willing to pay—in any auction held this year or over the next few years—for such licenses because of the lag between an auction and completion of the transition to digital television. We estimated that, under prior law, proceeds from those auctions would have totaled about \$4.1 billion over the 2003-2005 period. Enactment of H.R. 4560 will change both the timing and the amount of those auction proceeds.

H.R. 4560 modifies the statutory deadlines for auctioning the TV bands. Before this legislation was enacted, the FCC had scheduled two auctions for such licenses: auction 44, which was to start on June 19, 2002, for the 48 megahertz currently used by channels 52-59; and auction 31, which was to start on January 14, 2003, for the 30 megahertz available for commercial use in the 60-69 band. Under this act, the FCC must start auctioning licenses for spectrum currently used by channels 54, 55, and 59 (or 18 of the 48 megahertz in that band) by September 19, 2002, and must complete auctions 31 and 44 before the FCC's auction authority expires. The agency's auction authority currently is scheduled to expire in 2007.

CBO estimates that revising the deadlines for auctions 31 and 44 will reduce auction proceeds over the 2003-2005 period, but increase collections in 2006 and 2007. For this estimate, we assume that the FCC would meet the 2002 deadline and complete auctions 31 and 44 over the 2005-2007 period. We estimate that proceeds from all of the TV bands would total \$4.9 billion over the 2003-2007 period under this act, a net increase of \$800 million relative to our estimate under prior law.

We expect that delaying the auction of the television bands will increase the likely proceeds relative to prior law because it will shorten the lag between when the auction is held and when bidders could use the frequencies. However, splitting auction 44 into two parts—auctioning 18 megahertz in 2002 and the other 30 megahertz several years later—could limit opportunities for bidders to assemble large blocks of spectrum. As a result, we estimate that proceeds for the 2002 auction will be slightly lower than they would have been under prior law. (Proceeds from the auction held near the end of fiscal year 2002 are realized in 2003 and 2004; we estimate no budgetary impact in fiscal year 2002.)

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